

## Message Text

CONFIDENTIAL

PAGE 01 MANILA 06461 290100Z  
ACTION EB-08

INFO OCT-01 EA-07 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04  
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01  
/095 W

-----290957Z 039681 /17

R 290007Z APR 77  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 9097  
INFO USDEL MTN GENEVA

C O N F I D E N T I A L MANILA 6461

PASS USDA  
GENEVA FOR ISA DELEGATION

EO 11652: GDS  
TAGS: EAGR, RP  
SUBJ: SUGAR: FINANCING FOR GOP SUGAR MARKETING ORGANIZATION

1. MANILA MORNING PRESS OF APRIL 27 REPORTED THAT PHILIPPINE NATIONAL BANK (PNB) WILL BORROW PESOS 500 MILLION FROM LOCAL PRIVATE COMMERCIAL BANKS THROUGH THE FLOTATION OF BANKER'S ACCEPTANCE. PROCEEDS FROM FLOTATION WILL BE USED FOR TRADING OPERATIONS BY PHILIPPINE EXCHANGE (PHILEX), A WHOLLY OWNED PNB SUBSIDIARY WHICH ACTS AS THE GOP'S MARKETING ARM FOR SUGAR.

2. COMMENT: SUGAR ESTABLISHMENT HERE BELIEVES PNB IS ATTEMPTING TO SPREAD FINANCIAL BURDEN OF SUPPORTING VERY LARGE PHILIPPINE SUGAR STOCKS BY SETTING UP A MORE INDEPENDENT FINANCIAL STRUCTURE FOR PHILEX, WHICH HAS SUFFERED HEAVY LOSSES RECENTLY. PNB HAS BEEN HAVING SERIOUS LIQUIDITY PROBLEMS DUE, IN CONSIDERABLE PART, TO MONEY WHICH THE BANK HAS TIED UP IN SUGAR STOCKS.

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3. THE DAILY EXPRESS REPORTED THAT "THE FUNDS ARE EXPECTED TO HELP PHILEX BUY DOMESTIC SUGAR AND STORE THE ITEM WHILE WAITING FOR FAVORABLE PRICES ABROAD." SOME INDUSTRY REPS HAVE SPECULATED THAT THIS MENAS GOP MAY TRY TO SLOW CURRENT SALES IN AN EFFORT TO TAKE ADVANTAGE OF HIGHER PRICES THAT MAY RESULT

LATER THIS YEAR IF ISA ENTERS INTO EFFECT. GIVEN  
CURRENT HIGH LEVEL OF PHILIPPINE STOCKS SPECULATIVE HOARDING  
WOULD SEEM UNLIKELY, BUT GOP IS NOT RPT NOT KNOWN FOR RATIONAL  
MANAGEMENT OF ITS SUGAR STOCKS.  
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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SUGAR, BURDENSHARING, FINANCIAL PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977MANILA06461  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009